

PUBLIC DISCLOSURE

July 7, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Benton State Bank
14316**

**42 West Main Street
Benton, Wisconsin 53803**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
Chicago Regional Office
500 West Monroe Street, Suite 3300
Chicago, Illinois 60661**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

Benton State Bank's CRA performance, when community development activities are considered, depicts an outstanding practice of providing for the credit needs of its assessment area.

- The distribution of loans to small farms and low- and moderate-income borrowers demonstrates excellent performance, given the demographics of the assessment area. Furthermore, the bank has played a leadership role in the use of flexible lending programs to enhance credit availability to borrowers inside the assessment area.
- The geographic distribution of small farm and home mortgage loans reflects an excellent penetration in rural, underserved geographies of the assessment area. Overall, 77 percent of loans sampled, both by number and dollar amount, were extended in rural, underserved geographies of Lafayette County.
- The bank's lending performance to borrowers located inside its community meets expectations and is considered reasonable. A combined ratio of 59 percent of the small farm and residential mortgage loans sampled were extended to borrowers inside the bank's assessment area.
- The bank has maintained a reasonable loan-to-deposit ratio when considering its size, market focus, and community credit needs.
- The institution's record of providing branches, alternative delivery systems, and innovative and flexible lending programs exceeds expectations, given its size and the demographics of the assessment area, and enhances the bank's overall CRA performance.
- The bank's level of qualified investments is reasonable and promotes economic development and affordable housing in the rural, underserved communities of the assessment area.
- The bank has not received any CRA-related complaints since the previous evaluation.

Scope of Evaluation

The Benton State Bank's CRA evaluation is based upon a review of small farm and residential mortgage loans originated since the last examination. Additionally, at management's request, the institution's qualified investments and services were also analyzed to determine if they enhance the bank's record of lending from Satisfactory to Outstanding.

Sampling procedures were utilized to evaluate the bank's most recent two years of lending data for each credit product selected for review (June 30, 2006 through June 30, 2008). A small farm loan is defined as a farm or agricultural purpose loan with an original loan amount of \$500,000 or less. Small farm lending was given the most weight in this evaluation based upon assessment area demographics and credit needs. Furthermore, management identified agricultural loans as the bank's primary lending strategy, followed by residential mortgage loans. Management indicated that small business loans were not a primary loan product and consumer loans represent a nominal portion of the bank's loan mix; therefore, those loans types were not evaluated. A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA performance since the previous evaluation dated June 2, 2003.

Refer to Table 1 for a break-down of the universe and sample size of loans reviewed. In total, 62 small farm loans totaling \$3,742,000 and 62 residential mortgage loans totaling \$2,825,000 were analyzed.

<i>Table 1 – Small Farm and Residential Mortgage Loans Originated</i>				
Loan Type	Universe		Sample Size	
	#	\$(000)	#	\$(000)
Small Farm Loans				
06/30/06 – 06/30/07	140	\$10,281	31	\$2,267
06/30/07 – 06/30/08	127	\$ 7,184	31	\$1,475
Subtotal	267	\$17,465	62	\$3,742
Residential Mortgage Loans				
06/30/06 – 06/30/07	125	\$5,808	31	\$1,340
06/30/07 – 06/30/08	162	\$7,765	31	\$1,485
Subtotal	287	\$13,573	62	\$2,825
Total	554	\$31,038	124	\$6,567

The Benton State Bank's CRA Performance was evaluated using small bank examination procedures. The bank's performance under 'Lending to Borrowers of Different Incomes and Small Farms of Different Sizes' was given the greatest weight among the five lending performance tests. This performance criterion is considered the best indicator of the bank's lending performance, given the bank's lending focus and community credit needs.

DESCRIPTION OF INSTITUTION

The Benton State Bank is locally-owned by BSB Community Bancorporation, Inc., a one-bank holding company headquartered in Benton, Wisconsin. The bank's main office is located in the Village of Benton, Lafayette County, Wisconsin. The bank owns two full service branches; one in Potosi, Grant County, and one in Shullsburg, Lafayette County, Wisconsin. The Potosi office was opened on January 10, 2005.

The Benton State Bank offers a wide-range of loan and deposit products and services. Short-term residential mortgage loans are offered in-house and long-term home loans are sold on the secondary market to the Federal Home Loan Bank and other investor banks. Small farm, small business, and consumer-purpose loans are also offered in-house. The Benton State Bank has played a leadership role participating in government sponsored lending programs to facilitate throughout its assessment area. The bank has originated residential mortgage loans to low- and moderate-income homeowners through the Wisconsin Housing and Economic Development Authority (WHEDA), and small farm loans through the Farmer Mac program. The bank's alliance with the Farmer Mac program allows it to offer long-term, fixed rate loans at a competitive rate for land acquisition, equipment purchases, and agriculture production. Management has also worked closely with the United States Department of Agriculture - Farm Service Agency (USDA -FSA); which has allowed the bank to facilitate special financing packages for qualified farmers. As its primary lending product, agricultural loans experienced significant growth during this evaluation period. To aid management in the growth and expansion of its agricultural portfolio, a full-time experienced agricultural lender has been hired.

Other services include, telephone banking, an informational website, drive-thru facilities, and five cash-dispensing automated teller machines (ATMs) in Benton, Shullsburg, Darlington, Potosi, and Cuba City, Wisconsin. The bank is also a member of Community Bankers of Wisconsin's ATM Access network. Community banks pay a membership fee to offer customers no-fee access to ATM terminals throughout the State of Wisconsin at participating financial institutions. Lobby hours vary by office from 8:00 a.m. to 5:00 p.m. Monday through Thursday, with extended hours on Wednesdays and Fridays, and Saturday hours at alternating locations.

As of March 31, 2008, total assets were \$45,833,000; total loans were \$35,794,000, and total deposits were \$37,848,000. Table 2 illustrates the bank's loan distribution as of March 31, 2008.

<i>Table 2 - Loan Distribution as of March 31, 2008</i>		
Real Estate Loan Type	Dollar Amount \$ (000)	Percent of Total Loans (%)
Construction and Land Development	\$527	1%
1-4 Family Residential	\$10,357	29%
Secured by Farmland	\$4,410	12%
Multi-Family (5 or more) Residential	\$299	1%
Commercial	\$2,876	8%
Total Real Estate Loans	\$18,469	51%
Commercial and Industrial	\$5,475	16%
Agricultural	\$8,969	25%
Consumer	\$2,721	8%
Obligations	\$98	0
Other	\$62	0
Total Loans	\$35,794	100%

Source: Report of Condition

The bank has no legal or financial impediments that would hinder its ability to meet the credit needs of its assessment area. The bank was assigned a Satisfactory rating in its last CRA Performance Evaluation dated June 2, 2003.

Agricultural production and farm real estate loans comprise 37 percent of the total loans as of march 31, 2008; commercial and business loans (Commercial/Industrial and Commercial Real Estate) comprise 24 percent of the total loans; and, residential mortgage loans comprise 30 percent of total loans. Loans to finance consumer purposes make up the bulk of the remaining loan portfolio. As a rural community, small farm loans are considered by management to be the bank's primary loan strategy, followed by residential mortgage lending. Although, there are more small businesses in the community than small farms, management indicted that economic base of the assessment area is dependent upon agriculture.

According to information from the State of Wisconsin's Department of Workforce Development, unemployment rates for Lafayette County in the fourth quarter of 2007 and the first quarter of 2008 were 3.3 percent and 5.1 percent, respectively. In Grant County the unemployment rates for the same periods 4.2 percent and 5.9 percent, respectively. Unemployment rates in both counties are rising and exceed the statewide average in 2008. Government, trade, transportation, and utilities represent the major employment sectors in Lafayette County. Fifty-four percent of the employed residents of Lafayette County work outside the county. Large employers within

Lafayette County include the County of Lafayette, the Darlington Public School, and the School District of Block. According to bank management, The Benton State Bank is the largest employer in the Village of Benton with 25 employees. Seventy percent of employed residents in Grant County work inside the county; as opposed to Lafayette County. The largest employers in Grant County are the University of Wisconsin – Platteville, County of Grant, and Dick's Supermarket (Brodbeck Enterprises).

According to the Wisconsin Realtor's Association, year-end median home sale prices in 2007 in Lafayette and Grant Counties were \$87,300 and \$107,100, respectively. Home sale prices increased in both counties from the preceding year when median homes sale prices were \$82,300 and \$103,600, respectively. Overall, the housing market continues to cool, homes sales have dropped, and housing starts have decreased; an economic condition that mirrors the nation.

Community Contact

According to a community contact ample credit resources are available for small farmers and includes loans, grants, counseling, and cooperative services offered through the UW-Extension's New Farm Options program, the Wisconsin Department of Agriculture, and other private lenders. Government loan programs are geared to work with local lenders to assist farms in all aspects of agricultural production.

Competition in the Community

The June 30, 2007, deposit market share reports for FDIC Insured Institutions in Lafayette County ranks The Benton State Bank 4th with a market share of 10.65 percent. Ten other lenders have offices in Lafayette County and report total deposits of \$324 million. The Benton State Bank is the second smallest financial institution by asset size competing in the market, and the only bank in the Village of Benton, Wisconsin.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is comprised of four census tracts; three in Lafayette County and one in the contiguous county of Grant, Wisconsin. All census tracts are middle-income. However in 2006, 2007, and 2008 Lafayette County was designated as a rural and underserved middle-income non-metropolitan statistical area (non-MSA). As mentioned previously, the bank's main office in Benton and Shullsburg facility are located in Lafayette County.

Table 3- Selected Demographic Data for Census Tracts in AA

Income Level	Census Tracts	% of Owner Occupied Units	Total Population	Total # of Families	% of Families Living Below Poverty Level
Middle	4	72%	12,827	3,531	9%

Source: 2000 Census

The AA Median Family Income (MFI) for 2006, 2007, and 2008 was \$54,900, \$54,700, and \$56,200, respectively. The U.S. Department of Housing and Urban Development (HUD) issues annual estimates for updated MFI. HUD bases its annual estimates on the most recent U.S. Census data and factors in inflation and other economic variables to arrive at a MFI that more closely reflects current conditions. Tables 4 identifies the HUD adjusted MFI for each of the past three years. It also includes the income ranges for the respective income level designations. Nine percent of the families in the AA are living below the poverty level.

Table 4 - Median Family Income for the State of Wisconsin – Non-Metropolitan Statistical Areas

Year	MFI	Low-Income <50% of MFI	Moderate –Income 50% - <80% of MFI	Middle-Income 80% - <120% of MFI	Upper-Income ≥120% of MFI
2006	\$54,900	<\$27,450	\$27,450 ≤ \$43,920	\$43,920 ≤ \$65,880	≥ \$65,880
2007	\$54,700	<\$27,350	\$27,350 ≤ \$43,760	\$43,760 ≤ \$65,640	≥ \$65,640
2008	\$56,200	<\$28,100	\$28,100 ≤ \$44,960	\$44,960 ≤ \$67,440	≥ \$67,440

< - Less than; ≤ Less than or equal to ≥ - Greater than or equal to

Dun & Bradstreet data for 2007 reports 316 farms are located in the AA. Of the 316 farms located in the AA, 314 (99 percent) report gross farm income of \$500,000 or less.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

1) Lending Inside the Assessment Area

Overall, the bank's performance of lending to small farm and homeowners inside its assessment area meets expectations and is considered reasonable. A combined ratio of 59 percent (both by number and dollar) of the small farm and residential mortgage loans sampled were made to borrowers inside the assessment area. Loans made outside the assessment area were primarily situated in census tracts immediately adjacent to the assessment area.

Small Farm Loans

Only a slight majority of the bank's small farm loans sampled were made to borrowers residing inside the assessment area (50 percent by number and 52 percent by dollar). Nevertheless, this performance is considered good based upon the small size of the bank's assessment area (which encompasses only 4 tracts in Lafayette and Grant Counties). Furthermore, expanding the assessment areas to encompass contiguous tracts that are currently being served by the bank greatly increases the bank's penetration level.

Residential Mortgage Loans

A majority of residential mortgage loans were originated inside the bank's community (80 percent by number and 79 percent by dollar volume) during the period dated June 30, 2006 through June 30, 2007. This performance is considered very good based on the small size of the assessment area. During the period of June 30, 2007 through June 30, 2008, the level of residential mortgage lending inside the assessment area declined slightly but remained adequate at 58 percent by number and 61 percent by dollar volume. Please refer to Table 5 below.

<i>Table 5 – Distribution of Loans Inside and Outside of the AA</i>										
Loan Category or Type	Number of Loans					Dollars in Loans \$ (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Farms										
06/30/06 – 06/30/07	14	45%	17	55%	31	\$ 915	40%	\$1,352	60%	\$2,267
06/30/07 – 06/30/08	17	55%	14	45%	31	\$ 776	53%	\$ 699	47%	\$1,475
Subtotal	31	50%	31	50%	62	\$1,691	52%	\$2,051	48%	\$3,742
Residential Mortgage										
06/30/06 – 06/30/07	24	80%	7	26%	31	\$1,063	79%	\$277	21%	\$1,340
06/30/07 – 06/30/08	18	58%	13	42%	31	\$ 907	61%	\$578	39%	\$1,485
Subtotal	42	68%	20	32%	62	\$1,970	70%	\$855	30%	\$2,825
Total	73	59%	51	41%	124	\$3,661	59%	\$2,906	41%	\$6,567

2) Lending to Small Farms of Different Sizes and to Borrowers of Different Income Levels

Overall, the distribution of loans to borrowers of different sizes and income levels is excellent, given the demographics of the assessment area. The bank reports strong loan penetration to small farming operations and low- and moderate-income homeowners. This record was enhanced by the provision of community development services which provided flexible lending programs targeted to small farmers and low- and moderate-income borrowers.

Small Farm Lending

As indicated earlier, Dun & Bradstreet data for 2007 indicates that the assessment area has 316 farms. Over 99 percent of the farms report gross annual revenues of 500,000 or less. For purposes of this evaluation, it should be noted that loan size was used as a proxy for revenue size. The bank's performance in lending to small farms in its community is considered excellent. Of the 14 loans made inside the assessment area during the period of June 30, 2006 through June 30, 2007, 79 percent by number were made in amounts of \$100,000 or less. Of the 17 loans made inside the assessment area during the period of June 30, 2007 through June 30, 2008, 88 percent by number were made in amounts of \$100,000 or less. This analysis suggests that a substantial majority of the bank's small farm loans are made very small, family farm operations. The bank's lending performance to small farms exceeds expectations. Refer to Table 6 below.

Table 6 - Distribution of Sampled Small Farm Loans by Loan Size in the AA								
Loan Size	Bank's Performance 06/30/2006 – 06/30/2007				Bank's Performance 06/30/2007 – 06/30/2008			
	#	%	\$ (000)	%	#	%	\$ (000)	%
≤ \$100	11	79%	\$419	46%	15	88%	\$434	56%
> \$100 ≤ \$250	3	21%	\$496	54%	2	12%	\$342	44%
Total	14	100%	\$915	100%	17	100%	\$776	100%

Management has played a leadership role in participating in government sponsored lending programs which have enhanced its ability to lend to small farms in the assessment area. Small farm loans offered with flexible terms have been made available through Farmer Mac and the USDA-FSA programs. Of the 31 small farm loans sampled in June 2006 through June 2007, 17 were FSA Guaranteed loans, including many with interest-assistance subsidies. During the period of June 2007 through June 2008, 13 of the 31 loans sampled were FSA Guaranteed loans. In total, the bank has originated 10 loans through the Farmer Mac program totaling 2.6 million. Additionally, three agricultural loans totaling \$150,000 were made to low-to-moderate income farmers in Lafayette County through WHEDA's Rural Loan Program. By facilitating these loan programs, the bank enhances its ability to lend to small farms of all sizes.

Residential Mortgage Lending

Demographic data reports that 18 percent of the families in the assessment area were identified as low-income (median family income less than 50 percent of the statewide average). However, 9 percent of the families in the assessment area are living below the poverty level and would not likely be able to afford home ownership. When the low-income ratio of 18 percent is adjusted to reflect families living below the poverty level, the adjusted ratio is 9 percent. The bank's lending performance to low-income individuals is 17 percent (by number). This level of lending to low-income individuals is nearly double that of the adjusted ratio (9 percent) and is considered strong performance. During the same period, the bank reported 29 percent of its loans to moderate-income borrowers as compared to demographic data of 22 percent. Overall, the bank's residential lending performance to low- and moderate-income individuals from June 30, 2006 to June 30, 2007 is excellent.

During the period of June 30, 2007 through June 30, 2008, 12 percent of the loans sampled were extended to low-income families and 39 percent were extended to moderate-income families. Although the level of lending to low-income borrowers declined from the prior 12-month period, lending to moderate-income borrowers rose. Overall, the bank's lending performance is very good and exceeds expectations. Please refer to Table 7 below.

Table 7- Distribution of Sampled Residential Mortgage Loans by Borrower Income in the AA									
Borrower Income Level	Percentage of Total Families	Bank's Performance 06/30/2006 – 06/30/2007				Bank's Performance 06/30/2007 – 06/30/2008			
		#	%	\$ (000)	%	#	%	\$ (000)	%
Low	18%	4	17%	\$57	5%	2	12%	\$19	2%
Moderate	22%	7	29%	\$320	30%	7	39%	\$365	40%
Middle	26%	4	17%	\$192	18%	1	5%	\$39	4%
Upper	34%	8	33%	\$458	43%	7	39%	\$394	44%
NA*	-----	1	4%	\$36	4%	1	5%	\$90	10%
Total	100%	24	100%	\$1,063	100%	18	100%	\$907	100%

*Income not available

The bank has also facilitated the origination of WHEDA loans through a correspondent bank to further enhance its lending to low- and moderate-income borrowers in the assessment area. The bank facilitated the origination of three WHEDA home purchases loans totaling \$187,580 since June 2006. The two latter mortgage loans also provided a \$10,000 line of credit (\$20,000 in total) for home repairs to be used within the first three years of home ownership. Because these loans are not carried on the bank's books, they were not included in the sampling of loans.

Finally, due to declining school enrollments in the assessment area, the bank developed a special financing package to entice the construction of homes in the Benton, Shullsburg, and Potosi school districts. The package offers a low interest rate construction loan, followed by a low interest rate end-financing loan. Four special financing loans are offered each year. Eight loans were originated; four in 2006 totaling \$704,098 three in 2007 totaling \$287,499 and one in 2008 totaling \$35,184.

3) Geographic Distribution of Loans

As a homogenous assessment area comprised of four middle-income geographies, this criterion would typically carry less weight in the overall evaluation. However, as mentioned previously, Lafayette County was designated as a rural, underserved middle-income geography. Therefore, additional analysis and weight was placed on this criterion for loans made in Lafayette County. The bank's geographic dispersion of loans is considered strong, as a substantial majority of the bank's loans were made in Lafayette County.

Overall, 77 percent of the loans sampled inside the assessment area by number and 78 percent by dollar volume were made in Lafayette County. As an added note, of the 41 percent of all loans made outside the bank's community; 23 percent by number and 22 percent by dollar volume were made in adjacent tracts in Lafayette County. Please refer to Table 8 for the geographic distribution of loans inside Lafayette County.

Table8- Distribution of Loans in Lafayette County										
Loan Category or Type	Number of Loans					Dollars in Loans \$ (000)				
	Inside Lafayette County		Inside Lafayette County Outside		Total	Inside Lafayette County		Inside Lafayette County Outside		Total
	Within AA		Designated AA			Within AA		Designated AA		
	#	%	#	%		\$	%	\$	%	
Small Farms										
06/30/06 – 06/30/07	13	65%	7	35%	20	\$694	59%	\$491	41%	\$1,185
06/30/07 – 06/30/08	13	68%	6	32%	19	\$592	72%	\$225	28%	\$ 817
Subtotal	26	67%	13	33%	39	\$1,286	64%	\$716	36%	\$2,002
Residential Mortgage										
06/30/06 – 06/30/07	21	88%	3	12%	24	\$899	95%	\$ 46	5%	\$ 945
06/30/07 – 06/30/08	17	85%	3	15%	20	\$906	87%	\$130	13%	\$1,036
Subtotal	38	86%	6	14%	44	\$1,805	91%	\$176	9%	\$1,981
Total	64	77%	19	23%	83	\$3,091	78%	\$892	22%	\$3,983

4) Loan-to-Deposit Ratio

The Benton State Bank has maintained a reasonable net loan-to-deposit ratio when considering the credit needs of the assessment area and local economic demographics. The bank's average net loan-to-deposit ratio based upon 20 quarters since the last evaluation is 87 percent. Since the last evaluation, this ratio fluctuated slightly due to seasonal agricultural lending demands. As of March 31, 2008, the net loan-to-deposit ratio for the bank was 94 percent.

The Benton State Bank's average net loan-to-deposit ratio was compared to three similarly-situated lenders serving the assessment area. These lenders were selected based upon similar asset size, branch structure, and product offerings. Similarly-situated lenders reported net loan-to-deposit ratios ranging from 80 percent to 100 percent. The bank's ratio of 87 percent falls within this range and meets expectations.

5) Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation.

Fair Lending or Other Illegal Credit Practices Review

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during this evaluation.

Community Development Activities

At management's request, the bank's community development investments and services were considered and determined to enhance its lending activities. The bank plays a leadership role in providing community development services targeted to small farms and low- and moderate-income individuals. Products and services enhanced the bank's ability to provide needed loans to residents of the assessment area, especially when considering its rural, underserved designation.

Community Development Services

Flexible Lending Practices

In 2008, the bank was selected by the FDIC as one of 30 banks nationwide to participate in a test program designed to reward banks for offering small dollar loans to underserved residents in respective communities; the Small Dollar Loan Program. This is a two-year test program designed to gather data on effective products the industry could replicate to compete with payday lenders. Other banks will use experiences of the participating banks to develop "best practices" for small dollar loan programs. Key features of the bank programs that qualify include loans of

up to \$1,000 with annual percentage rates (APR) below 36 percent, low or no origination fees and no payment penalties. The bank has offered small dollar loans since the 1990s for tax refund loans, Christmas loans, and other small dollar expenses. Since the pilot programs inception in 2008, nine loans were originated in amounts of \$1,000 or less totaling \$6,095. The average loan term of is three months, and the average interest rate is 12 percent. The loans include a one-time \$30 processing fee.

Due to a decline in school enrollment in the bank's community, the bank developed a special financing package to entice the construction of homes in the Benton, Shullsburg, and Potosi school districts. The package offers a low interest rate construction loan, followed by a low interest rate end-financing loan. Four special financing loans are offered each year. Eight loans were originated; four in 2006 totaling \$704,098 three in 2007 totaling \$287,499 and one in 2008 totaling \$35,184.

In 2003, the Benton Community Development Corporation (BCDC), a non-profit organization embarked on the construction of a business incubator facility in order to boost the economy in Lafayette County. With low monthly rent, a short-term lease, and the availability of business assistance and resources, it was hoped that the new business incubator facility would attract light manufacturing companies to the area. As a result, the Village of Benton and Lafayette County would benefit from increased job opportunities and experience a boost in the local economy. The bank assisted in this project by providing business assistance, preferential interest rates and donations toward the project. President Malone and Senior Vice President Brink serve on the incubator Board. As this project is considered by bank management to be a substantial investment in the underserved County of Lafayette, management waived 100 percent of the interest expense on the loan for this project. Since its inception, five loans have been originated towards this project totaling \$1,074,089 as follows; in 2005 one loan for \$222,134; in 2006 two loans in the amounts of \$211,027 and \$204,805; in 2007 one loan for \$225,000; and, in 2008 one loan for \$211,123.

Farmer Mac (Federal Agricultural Mortgage Corporation) is a secondary market entity that purchases newly originated and seasoned agricultural loans from banks. The alliance with the Farmer Mac program allows the bank to compete with larger agricultural lenders on price and rate for agricultural production and purchase loans. Since its alliance with Farmer Mac, the bank has facilitated the origination of 10 agricultural loans totaling \$2.6 million; one in 2005 (bank originated in 2005 then sold to Farmer Mac in 2006) for \$500,000, six in 2006 totaling \$1,228,000, one in 2007 for \$286,000, and two in 2008 totaling \$576,000.

Management has also worked closely with the United States Department of Agriculture - Farm Service Agency (USDA -FSA). This agency provides a 90 percent guarantee on loans the bank underwrites and submits for approval. Upon approval, the bank funds the loans in-house and retains servicing. These loans require ongoing bank maintenance for the life of the loan, but provide a tremendous service and benefit to the community. In addition, through the USDA – FSA, a program is offered called “Interest Assist” that enables lenders to provide credit to operators of family farms who lack resources to meet standard repayment terms. This program is intended to assist farmers who have low production or suffered the effects of a natural disaster or adverse economic conditions. Beginning farmers are targeted by FSA for increased assistance

because of an inability to access private credit programs. The program is intended to assist these farmers (based upon eligibility requirements) through difficult early years as they accumulate farm assets and become financially viable. Under the program the FSA enters into an agreement with the lender to reimburse the lender 4 percentage points on the Guaranteed Operating Loan in exchange for the lender reducing the interest rate to the borrower by the same amount. Currently, \$3.7 million of the bank's \$8 million dollars of the USDA – FSA Guaranteed Loans have interest rate subsidies.

The bank facilitated the origination of WHEDA loans through its correspondent bank. WHEDA is aimed at providing homeownership financing to low- and moderate-income borrower, as well as providing agricultural productions loans to small farmers. During this evaluation period, three agricultural loans totaling \$150,000 were made to small farms in Lafayette County; one in 2006 for \$30,000, one in 2007 for \$60,000 and one in 2008 for 60,000, through WHEDA's Rural Loan Program. The bank facilitated the origination of three WHEDA residential mortgage home purchases totaling \$187,580; one in 2006 totaling \$81,480, and two in 2007 for \$42,600 and \$63,500. The two latter mortgage loans also included a \$10,000 line of credit (\$20,000 in total) for home repairs to be used within the first three years of home ownership.

With the creation of the Benton Business Park, a special financing package was developed to help drive business development within the business park. This package offers a nine month construction phase with monthly interest calculated at prime rate. No activity to-date.

The bank provides numerous services in its community; which includes services in the rural and underserved areas of Lafayette County. Services are intended to bolster the economy through the creation of jobs, revitalize the community, and assist beginner farmers and low- and moderate-income families in attaining small dollar loans and affordable housing. Refer to Table A for highlights of some of the valued services provided.

<i>Table A - Community Development Services</i>			
<i>Organization</i>	<i>Bank Sponsored Event, Program, Seminar</i>	<i>Technical Assistance or Director Involvement by Bank Employee</i>	<i>Bank Product or Service</i>
*American Cancer Society Relay for Life fund raising effort – All employees participate		X	
*BSB Community Bancorporation, Inc. Business Incubator – 3 employees – A non-profit entity that donates funds, time and expertise to create jobs in Lafayette County		X	
*Directors on Insurance and Hospital Foundation Boards		X	
*Chamber of Commerce Members and Main Street Program – focuses on new businesses on main Street in Darlington - officer		X	
*Municipal Parks and Recreation Committee Member – a stabilization effort in the community		X	
*Schools Futures Committee Officer and Community and Schools Together - members		X	
*Industrial Park Director an entity aimed at creating new		X	

business and jobs in the community			
*Wisconsin Farm Bureau member		X	
Wisconsin Feed and Seed Association member		X	
*Red Cross – Lafayette County Disaster Action Team – member- a stabilization effort in the community.		X	
*Highway Clean Up project – All employees participate to assist in the revitalization of the community		X	
Employees provide financial expertise in schools districts – this includes attending classes and speaking on banking and financial issues, providing tours through the bank, educational supplies to schools and assisting area schools with grant writing requirements, a stabilization effort.		X	
MSF (Municipal, School, and Fire) Super NOW accounts – These accounts are offered at a more attractive rate than offered to other accounts – the bank feels these accounts directly impact L/M by keeping property taxes down			X
The 18 Candles Savings and 18 Candles CD accounts were created to offer parents of school age children a mode to save for their children's college education.			X
Youth Apprenticeship Programs and Student Employment - Program allows students to get OJT while attending specific programs through Southwest Technical College during their junior and senior years. Students earn college credit and bank personnel provide financial expertise.		X	
Municipalities - bank personnel attend annual Board meetings in varied municipalities in its AA to update the Board on current economic conditions, lend financial expertise, and to provide outreach on pressing issues.		X	
Shullsburg Community Development Corporation – non-profit entity created to donate money, time and expertise in the community		X	
Potosi Brewery Foundation – non-profit entity created to donate money, time and financial expertise		X	
*Driver Opera House Restoration - participation provides community development assistance to L/M families and assistance to mentally and physically challenged residents in the community. The first floor provides space to the Southwest WI Community Action Program (food pantry) and the Hodan Center (a thrift store operated by physically and mentally challenged community residents).– The bank's president and a loan officer are Board members for this project		X	
Small Dollar Loan Program – loans made in amounts of up to \$1,000 with annual percentage rates below 36 percent, low or no origination fees and no payment penalties.			X
Brewery Foundation - members – a non-profit entity created to restore the old brewery , which includes a national museum, gift shop and a restaurant to boost Grant County's economy		X	

* Denotes Lafayette County Activities

Delivery Services

The bank has three full service offices, five cash-dispensing ATMs, an informational website, telephone banking, drive-thru facilities and extended banking hours to meet the convenience and needs of its customers. The bank is a member of Community Bankers of Wisconsin's ATM Access network. Community banks pay a membership fee to offer customers no-fee access at participating ATM terminals throughout the State of Wisconsin.

Community Development Investments

Numerous community development investments were made in the form of donations and waived interest expense in the amount of \$66,651 during this review period. Refer to Table B for details.

<i>Table B – Community Development Investments</i>				
<i>Donations / Investments</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
	\$5,038	\$ 9,042	\$8,551	\$8,282
	\$9,000	\$12,000	\$7,000	\$ 500
			\$7,238	
Total	\$14,038	\$21,042	\$22,789	\$8,782

BCDC – (non-profit entity created to donate funds, time and expertise to create jobs). Interest was waived / donated on the five loans made on construction loans for the business incubator facility. Interest totaled \$30,915; \$5,038 in 2005, \$9,042 in 2006, and \$8,551 in 2007, and 8,282 in 2008. Loans were to the Village of Benton, Lafayette County.

Habitat for Humanity – the bank made a \$500 donation toward the Village of Benton's project of building affordable housing for low-income families, in 2008. The project is the Village of Benton, Lafayette County.

Brewery Foundation - A non-profit organization was created to restore the former brewery located on Hwy 133 running through Potosi. The national brewery museum along with a restaurant, gift shop and the brewery itself will be housed in the building being restored. This restoration will boost Grant County's economy and the surrounding areas and revitalize the community. The bank donated \$9,000 to the Brewery foundation to support the project in 2005, \$12,000, in 2006, and \$7,000 in 2007.

Miscellaneous and charitable donations in 2007 totaled \$7,238; \$38,653 less the \$500 donation to Habitat for Humanity and \$30,915 in waived interest for the business incubator project. Miscellaneous donations in other years were not available for this report.